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HONORABLE KAREN A. OVERSTREET
Chapter 11 Proceeding
Location: Seattle
Hearing Date: August 6, 2010
Hearing Time: 11:00 a.m.
Response Date: July 30, 2010

Attorneys for Party in Interest
RateGain IT Solutions Pvt. Ltd.

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re:

QL2 SOFTWARE INC.,

Debtor.

Case No. 10-10209-KAO

**RATEGAIN'S AMENDED
DISCLOSURE STATEMENT**

IMPORTANT NOTICE:

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION
RELATING TO A COMPETING CHAPTER 11 PLAN OF
REORGANIZATION PROPOSED BY PARTY-IN-INTEREST RATEGAIN
IT SOLUTIONS PVT. LTD.

PLEASE READ THIS DOCUMENT CAREFULLY.

THE INFORMATION CONTAINED IN THIS DOCUMENT IS FOR
PURPOSES OF SOLICITING YOUR ACCEPTANCE OF THE PLAN AND
SHOULD NOT BE RELIED UPON FOR ANY OTHER PURPOSE. THIS
DISCLOSURE STATEMENT DOES NOT CONSTITUTE OR INCLUDE
LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. IF YOU DESIRE
SUCH ADVICE, YOU SHOULD CONSULT YOUR OWN ATTORNEYS
OR ADVISORS.

EXCEPT WHERE OTHER SOURCES ARE IDENTIFIED, RATEGAIN OR
MANAGEMENT OF THE DEBTOR, BY VIRTUE OF THE DEBTOR'S
DISCLOSURE STATEMENT, HAVE SUBMITTED THE INFORMATION
CONTAINED IN THIS DISCLOSURE STATEMENT. RATEGAIN DOES
NOT AUTHORIZE ANY REPRESENTATIONS CONCERNING ITS
COMPETING PLAN OTHER THAN THOSE IN THIS DISCLOSURE
STATEMENT AND ACCOMPANYING DOCUMENTS. WHILE THIS
DISCLOSURE STATEMENT RELIES ON INFORMATION SUPPLIED BY

1 THE DEBTOR, EITHER DIRECTLY TO RATEGAIN OR THROUGH ITS
2 DISCLOSURE STATEMENT AND COURT FILINGS, THE DEBTOR HAS
NOT AUTHORIZED THIS DISCLOSURE STATEMENT.

3 YOU SHOULD NOT RELY ON ANY REPRESENTATIONS OTHER
4 THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT TO
5 DETERMINE YOUR VOTE REGARDING RATEGAIN'S PLAN. NO
6 OTHER PERSON IS AUTHORIZED TO MAKE REPRESENTATIONS ON
7 BEHALF OF RATEGAIN OR ITS PLAN. RATEGAIN HAS USED CARE
8 IN PROVIDING THE INFORMATION IN THIS DISCLOSURE
9 STATEMENT ACCURATELY AND COMPLETELY IN ALL MATERIAL
10 RESPECTS. NEVERTHELESS, RATEGAIN CANNOT AND DOES NOT
11 WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED
12 IN THIS DISCLOSURE STATEMENT IS WITHOUT INACCURACY. IN
PARTICULAR, EVENTS AND FORCES BEYOND RATEGAIN'S
CONTROL MAY ALTER THE ASSUMPTIONS UPON WHICH THE
FEASIBILITY OF THE PLAN IS SUBJECT. AMONG OTHER THINGS,
THE DEBTOR MAY CONTINUE TO NEGOTIATE PAYMENT TERMS
WITH CREDITORS, AND THE SPECIFIC TREATMENT OF CLAIMS
MAY CHANGE AS A RESULT. IN ANY EVENT, RATEGAIN BELIEVES
THAT THE PAYMENT TERMS PROPOSED BY ITS PLAN WILL NOT BE
LESS FAVORABLE THAN THOSE DESCRIBED HEREIN.

12 **TO ALL PARTIES IN INTEREST:**

13 On January 11, 2010, QL2 Software, Inc. ("**Debtor**") filed a petition for relief under
14 Chapter 11 of the United States Bankruptcy Code. The Debtor is a debtor-in-possession, and its
15 case is pending before the above-captioned Court. Pursuant to this Court's Order, dated May 28,
16 2010, Party in Interest RateGain IT Solutions Pvt. Ltd. ("**RateGain**" or "**Proponent**") submits this
17 Disclosure Statement in connection with its competing Plan of Reorganization (the "**Plan**"). This
18 Disclosure Statement contains information on the Plan. The Proponent distributes this Disclosure
19 Statement to you, along with a copy of the Plan, to allow you to make an informed decision in
20 exercising your right to accept or reject the Plan. 11 U.S.C. § 1125.

21 The Court has approved this Disclosure Statement as containing information sufficient
22 under the circumstances to enable a hypothetical reasonable investor to make an informed
23 judgment about the Plan. The Court's approval of this Disclosure Statement does not constitute
24 an endorsement of the Plan. *To the extent there are any inconsistencies between the Plan and*
25 *this Disclosure Statement, the terms of the Plan control.*
26

1 THE ONLY REPRESENTATIONS AUTHORIZED IN CONNECTION
2 WITH THE PROPONENT'S PLAN OR THAT MAY BE MADE
3 CONCERNING THE PROPONENT'S PLAN ARE CONTAINED IN THIS
4 DISCLOSURE STATEMENT. THE FINANCIAL INFORMATION
5 CONTAINED HEREIN, OR INCORPORATED BY REFERENCE, IS
6 BASED ON THE DEBTOR'S DISCLOSURE STATEMENT, COURT
7 FILINGS, AND INFORMATION PREVIOUSLY SUPPLIED BY THE
8 DEBTOR, AND IS EFFECTIVE AS OF THE DATE HEREOF UNLESS
9 OTHERWISE SPECIFIED. THE READER SHOULD NOT INFER OR
10 ASSUME THAT THERE HAVE BEEN NO CHANGES IN THE FACTS
11 SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE
12 BELOW. FINANCIAL INFORMATION, WHILE PRESENTED WITH
13 NUMERICAL SPECIFICITY, IS BASED UPON ESTIMATES AND
14 ASSUMPTIONS THAT, ALTHOUGH CONSIDERED REASONABLE AND
15 PRUDENT, MAY NOT BE REALIZED AND WILL REMAIN SUBJECT
16 TO INHERENT UNCERTAINTIES. THE FINANCIAL INFORMATION
17 HAS NOT BEEN AUDITED AND IS BASED PRIMARILY ON
18 REPRESENTATIONS BY THE DEBTOR. THUS, THE PROPONENT IS
19 UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION
20 CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT
21 INACCURACY. HOWEVER, GREAT EFFORT HAS BEEN MADE TO
22 ENSURE THAT ALL SUCH INFORMATION IS FAIRLY REPRESENTED.

23 *The Proponent urges you to accept this Plan and to promptly return your completed*
24 *ballot to enable your vote to be counted.*

25 I. DEFINITIONS AND INTERPRETATION

26 In addition to terms defined in other sections of the Plan and the Disclosure Statement, the following terms have the following meanings in this Plan and the Disclosure Statement:

1. The term "**Administrative Bar Date**" means the date to be established by the Court as the last date to file Administrative Claims.
2. The term "**Administrative Claim**" means a Claim for costs and expenses of administration allowed under 11 U.S.C. § 503(b), and referred to in 11 U.S.C. § 507(a)(2), including, without limitation: (a) the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating Debtor's business (such as wages, salaries or commissions for services), (b) compensation for legal, financial advisory, accounting and other services and reimbursement of expenses awarded or allowed under 11 U.S.C. §§ 330(a) or 331, and (c) all fees and charges assessed against the Estate under 28 U.S.C. § 1930.

1 3. The term "**Allowed Claims**" means a Claim against the Debtor (in the particular
2 category, as appropriate) to the extent that:

3 (a) (i) a proof of claim was timely filed with the Court on or before the Bar Date or
4 Administrative Bar Date, as applicable , or is deemed timely filed under applicable law or by
5 Order of the Court; or (ii) the Claim is listed in the schedules filed by the Debtor on January 22,
6 2010; and

7 (b) (i) the Debtor or, where permitted by law, another party in interest, does not file an
8 objection within a time fixed by the Court and the Claim is not otherwise a Disputed Claim (but
9 only to the extent that such Claim is not a Disputed Claim), (ii) the Claim is allowed (and only to
10 the extent allowed) by an Order of the Court; or (iii) the Claim is allowed pursuant to Article IV,
11 Section 6 of the Plan.

12 4. The term "**Bar Date**" means **May 28, 2010**, as established by the Court pursuant to
13 that certain Order Waiving Case Management Conference and Setting Deadlines entered by the
14 Court on January 29, 2010.

15 5. The term "**Borcich Holdings**" means those certain 500,000 shares of Series A
16 preferred stock in the Debtor, with a right to convert into 800,000 shares of common stock in the
17 Debtor, currently owned by Vincent and Karyn Borcich (collectively, "**Borcich**").

18 6. The term "**Claim**" means any right to payment, whether or not such right is
19 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed,
20 legal, equitable, secured or unsecured; or, a right to an equitable remedy for breach of
21 performance if such breach gives rise to a right to payment, whether or not such right is an
22 equitable remedy or is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured,
23 matured, disputed, undisputed, secured or unsecured.

24 7. The term "**Class**" means any grouping into which Allowed Claims and Interests
25 are classified pursuant to Article 3 of this Plan.
26

1 8. The term "**Committee**" means the Official Committee of Unsecured Creditors,
2 appointed in the case by the United States Trustee.

3 9. The term "**Common Shareholders**" means the holders of shares of common stock
4 in the Debtor as of the Effective Date.

5 10. The term "**Confirmation Order**" means an Order of the Court confirming this Plan
6 pursuant to 11 U.S.C. § 1129, after notice and a hearing.

7 11. The term "**Day**" or "**Days**" means all days other than Saturdays, Sundays, and
8 Court holidays. Unless otherwise specified, all periods measured in days as defined above.

9 12. The term "**DIP Facility**" means the debtor-in-possession financing facility
10 provided by Hale pursuant to that certain Debtor in Possession Loan and Security Agreement in
11 which Hale agreed to provide up to \$500,000 of term loans or other credit support.

12 13. The terms "**Disputed Claim**" means a Claim: (a) that is scheduled as disputed,
13 contingent, or unliquidated, or (b) for which a proof of claim has been filed and as to which an
14 objection has been or may be filed by the Debtor or Proponent. This includes all claim objections
15 filed by the Debtor on June 11, 2010.

16 14. The term "**Effective Date**" means the first Day that is more than ten Days after the
17 date on which the Court enters a Confirmation Order, provided that: (a) there is no appeal pending
18 from the Confirmation Order or, if an appeal has been filed, there is no stay pending appeal then
19 in effect, and (b) that all Conditions to Effectiveness have been satisfied or waived by Proponents.

20 15. The term "**Final Decree**" means an Order closing this Chapter 11 Case entered
21 pursuant to Fed. R. Bankr. P. 3022.

22 16. The term "**General Unsecured Claims**" means any Claim against the Debtor for
23 which there are no assets of the Debtor serving as security, but not including any Priority Claims
24 or Priority Tax Claims.
25
26

1 17. The term “**Hale**” means Copernicus Holdings LLC, an investment vehicle of
2 DMEP Corporation, doing business as Hale Global. Hale is the sponsor and a proponent of the
3 Debtor’s Plan of Reorganization.

4 18. The term “**Interest**” means an equity interest in the Debtor. The Debtor has
5 organized two classes of stock outstanding with respect to its Interest – common stock and
6 preferred stock.

7 19. The term “**Interest Holder**” means the holder of an Interest in the Debtor.

8 20. The term “**Plan**” or “**Proponent’s Plan**” means the Plan of Reorganization
9 attached as an Appendix to this Disclosure Statement. The term “**Debtor’s Plan**” means that
10 certain Plan of Reorganization submitted by the Debtor and Hale.

11 21. The term “**Preferred Shareholders**” means the holders of shares of preferred stock
12 in the Debtor as of the Effective Date.

13 22. The term “**Priority Claim**” means a Claim which, if allowed, would be entitled to
14 priority pursuant to 11 U.S.C. §§ 507(a)(2), (3), (4), (5), or (7).

15 23. The term “**Priority Tax Claim**” means a Claim which, if allowed, would be
16 entitled to priority under 11 U.S.C. § 507(a)(8).

17 24. The term “**Professional Fees**” means fees and costs incurred by professionals
18 employed by the bankruptcy estate (*e.g.*, attorneys, accountants, real estate brokers, and others),
19 pursuant to Orders of the Court (“**Professionals**”).

20 25. The term “**Secured Claim**” means a Claim which, if allowed in the priority
21 scheduled by the Debtor or asserted by the claimant, would be secured by a lien, security interest,
22 or other charge against the property in which the bankruptcy estate has an interest, or which is
23 subject to set-off under 11 U.S.C. § 553, to the extent of the value, determined in accordance with
24 11 U.S.C. § 506(a), of the interest of the holder of such secured Claim in the bankruptcy estate’s
25 interest in such property, or to the extent of the amount subject to any set-off, as the case may be.
26

1 26. The term "*Tumelson Holdings*" means those certain 750,000 shares of common
2 stock in the Debtor presently held in escrow, over which Tumelson Family LP asserts a security
3 interest, and which is the subject of a settlement proposed between Tumelson Family LP and the
4 Debtor.

5 27. You should give each term not specifically defined in the Plan or Disclosure
6 Statement its plain and ordinary meaning. Further, the rules of construction in 11 U.S.C. § 102
7 apply to the Plan and Disclosure Statement.

8 28. The singular includes the plural and vice versa.

9 29. Captions and headings are intended for convenience and have no force or effect.
10 They should not be used to interpret or construe the Plan or Disclosure Statement.

11 **II. BACKGROUND INFORMATION**

12 Except as specifically set forth below, this Disclosure Statement adopts Article 2 of the
13 Debtor's Disclosure Statement, as it may be amended, and incorporates it by reference.

14 On May 25, 2010, the Debtor cancelled the auction proposed under 11 U.S.C. § 363.
15 Instead, the Debtor proposed a Plan of Reorganization in which it would merge into a new
16 corporate entity controlled by Hale. On May 28, 2010, the Court authorized interested parties to
17 file competing Plans that would provide better returns for creditors and interest holders.

18 **III. ASSETS AND LIABILITIES OF DEBTOR**

19 Except as specifically set forth below, this Disclosure Statement adopts Article 3 of the
20 Debtor's Disclosure Statement and incorporates it herein by reference. On May 13, 2010, the
21 Court authorized the DIP Facility. The Debtor has represented that Hale has advanced \$100,000
22 under the DIP Facility. In addition, the Debtor has represented that Hale has acquired 1,337,500
23 shares of common stock in the Debtor since the commencement of this bankruptcy. Based on
24 these representations, Hale will receive treatment under Class 1 with respect to the DIP Facility
25 and under Class 8 as a Common Shareholder. On June 30, 2010, the Debtor supplied RateGain
26 with a budget reflecting a cash position of approximately \$450,000 on July 31, 2010.

1 **IV. SUMMARY OF COMPETING PLAN OF REORGANIZATION**

2 The full text of the Plan is attached as an Appendix to this Disclosure Statement, and it has
3 been distributed separately concurrent with this Disclosure Statement. The following description
4 of the Plan is only a summary, and the Proponent encourages you to read the Plan before deciding
5 to vote on it. The Plan is a competing Plan of Reorganization submitted at the invitation of the
6 Court under its Order dated May 28, 2010. It is an alternative means of reorganization from the
7 plan proposed by the Debtor and its sponsor, Hale.

8 **A. General Summary**

9 The Plan will be funded through two separate sets of transactions. The first transaction is
10 a direct purchase of common stock from all Class 8 Common Shareholders holding an Allowed
11 Interest for the price of \$0.50 per share. The transaction will be subject to terms and conditions
12 consisting of representations and warranties that are standard in a stock purchase. The specific
13 terms will be supplied through a subsequent Plan supplement, and they will ultimately be attached
14 as *Exhibit B* to the Plan and incorporated therein. The second transaction will be the execution of
15 an Asset Purchase Agreement, attached as *Exhibit A* to the Plan ("*Agreement*"). Under the
16 Agreement, the Proponent will purchase the Debtor's assets for a straightforward purchase price
17 of \$3,500,000.00 in cash. The Debtor will use these funds to pay Allowed Claims and Allowed
18 Interests as set forth in more detail below.

19 The Plan is intended to close out this bankruptcy case as expeditiously as possible, with
20 full satisfaction of all Allowed Claims, settlement of both pending disputes, and an immediate
21 return of \$0.50 cents per share to Common Shareholders in Class 8. The Plan contemplates full
22 payment on each Allowed Claim within ten Days after the Court determines that a Claim is an
23 Allowed Claim. The Debtor has filed objections to certain Claims, and it may file additional
24 objections, as necessary and appropriate, over the course of the bankruptcy case. The Debtor has
25 also filed a motion to deem certain Claims as Allowed Claims.

1 This Disclosure Statement assumes the following regarding the condition of the Debtor,
2 and the merits of the Claims, objections, and other disputes in this bankruptcy, *though these*
3 *assumptions are not conditions to effectiveness:*

- 4 1. The Debtor is current on all applicable taxes and will incur no more than \$10,000
5 in tax liability through entry of a Final Decree;
- 6 2. The Debtor will prevail with respect to its objections on certain Claims, not prevail
7 with respect to other Claims, and will compromise certain Disputed Claims such
8 that: (a) the total amount of Allowed Secured Claims in Class 4 (see below) will
9 not exceed \$21,218.30; (b) the total amount of Allowed Priority Claims will not
10 exceed \$22,453.78; (c) the total amount of Allowed General Unsecured Claims
11 will not exceed \$922,771.38; (d) the total amount of post-petition interest with
12 respect to Allowed Claims will not exceed \$100,000; and (e) the total amount of
13 Professional Fees incurred after the Effective Date will not exceed \$100,000; and
14 3. The Debtor will have no cash on hand on the Effective Date.

15 These assumptions are further based on the Debtor's Monthly Financial Statements,
16 schedules, motions, and claim objections filed with the Court. *Appendix A*, attached hereto, is a
17 schedule detailing the Proponent's assumptions and demonstrating that the purchase price in the
18 Agreement is sufficient to pay the estimated final amount of Allowed Claims and Allowed
19 Interests. Any funds remaining in the Debtor's possession upon payment of all Allowed Claims
20 and Allowed Interests will be distributed to the then-existing Common Shareholder in connection
21 with entry of the Final Decree. These assumptions and analysis do not impact current Class 8
22 Common Shareholders, who will sell their common stock to the Proponent for \$0.50 per share on
23 the Effective Date.

24 **B. RateGain's Plans for Future Business Using the Debtor's Assets**

25 RateGain intends to maintain a significant presence in the United States and the United
26 Kingdom. In particular, RateGain seeks to acquire the Debtor's assets for the specific purpose of

1 expanding its operations in the United States. RateGain has created a new Washington corporate
2 entity, under the name "RateGain, Inc.," which will serve as its subsidiary in the United States,
3 headquartered in Seattle, Washington. Under the Agreement, RateGain, Inc. is expected to
4 become RateGain's assignee for purposes of purchasing the Debtor's assets. RateGain hopes to
5 engage local trade creditors in future business. Further, while RateGain may undertake limited
6 force reductions consistent with traditional mergers and acquisitions, it plans to expand operations
7 in Seattle, Washington. RateGain hopes to retain the majority of the Debtor's current employees,
8 and it plans to hire new employees in the months following its acquisition. RateGain is also open
9 to a continued role for management, where appropriate. In short, this is not a "mass outsourcing"
10 plan, as some have suggested. Instead, it is intended to help RateGain establish a foothold and
11 expand its business in the United States.

12 **C. Administrative and Priority Tax Claims**

13 The Debtor has represented that, with the exception of certain Professional Fees and
14 Disputed Claims, the Debtor has paid all known Administrative Claims. The Plan provides for
15 payment of all Administrative Claims deemed Allowed Claims, and the Proponent assumes there
16 will be \$400,000 in unpaid Administrative Claims that will be deemed Allowed Claims.

17 The Debtor has made no representation regarding unpaid or outstanding Priority Tax
18 Claims. The Proponent assumes there are currently no unpaid or past due taxes, and the Debtor
19 will incur no more than \$10,000 in Priority Tax Claims between the Effective Date and final
20 dissolution. The Plan provides for payment of all Priority Tax Claims deemed Allowed Claims
21 consistent with the Debtor's Plan and the Bankruptcy Code.

22 **D. Classified Claims and Interests**

23 **1. *Class One – Hale Global***

24 Hale is the sole member of Class 1, as the lender of the DIP Facility. The Plan will pay
25 the DIP Facility in full, with interest at the contract rate, within ten Days of the Effective Date.

26 Class 1 is unimpaired and not entitled to vote on the Proponent's Plan.

1 2. *Class Two – Tumelsons*

2 Tumelson Family LP (“*Tumelson*”) is the sole member of Class 2. Tumelson has asserted
3 a Secured Claim in the amount of \$907,228.49 as of May 15, 2010 (“*Tumelson Secured Claim*”).
4 Tumelson asserts that its Claim is secured by certain collateral including, without limitation, the
5 Tumelson Holdings, the Debtor’s accounts receivable, and Patent No. 7418440. As described in
6 the Debtor’s Plan and Disclosure Statement, the Debtor has been engaged in litigation regarding
7 the validity and priority of the Tumelson Secured Claim. The Debtor has represented that it
8 intends to resolve the dispute regarding the Tumelson Secured Claim as part of the Debtor’s Plan.
9 The Debtor and Tumelson have previously submitted a Settlement Agreement for the Court’s
10 approval, under which the Debtor would pay \$650,000 in cash and agree to release the Tumelson
11 Holdings to Tumelson in settlement of the adversary proceeding (the “*Tumelson Settlement*”).
12 The Court has not yet approved the Tumelson Settlement.

13 Under RateGain’s Plan, the Debtor would resolve the dispute on the same material terms
14 as the Tumelson Settlement, except that the Proponent will purchase the Tumelson Holdings as
15 part of the settlement. No more than two Days after the Effective Date, Tumelson will receive
16 \$232,500 from the Proponent in exchange for title to the Tumelson Holdings. The transfer of title
17 to the Tumelson Holdings will be subject to the terms and conditions set forth in *Exhibit B* to the
18 Plan. This equates to a share price of \$0.31 per share. No more than ten Days after the Effective
19 Date, Tumelson will receive \$650,000 in cash in full and final settlement of all claims and
20 disputes between Tumelson and the Debtor.

21 Further, the Confirmation Order will: (i) constitute a release, effective as of the Effective
22 Date, of any claims, causes of action, or rights of any nature whatsoever that the Debtor or its
23 bankruptcy estate may have, against Tumelson, and their partners, employees, agents,
24 shareholders, members, managers, trustees, representatives, parents, subsidiaries, successors,
25 assigns, affiliates, related entities, nominees and attorneys, acting individually and in their
26 representative capacity on behalf of Tumelson, of and from any and all claims, demands,

1 liabilities or actions of any nature whatsoever (the “*Released Tumelson Claims*”), whether such
2 Released Tumelson Claims, arising before the Effective Date, are known or unknown, or arise
3 under state or federal law, including without limitation any claims relating in any way to the prior
4 litigation between Tumelson and Debtor and any Avoidance Actions, as that term is defined in the
5 Tumelson Settlement, except those claims arising under or concerning the Plan and its
6 enforcement, (ii) effect the dismissal with prejudice of the Tumelson Adversary Proceeding (as
7 defined in the Debtor’s Disclosure Statement) on the Effective Date, and (iii) entitle Tumelson to
8 keep all prior payments of any kind made by the Debtor with regard to the Tumelson Secured
9 Claim or the Tumelsons’ claims against any other party.

10 Class 2 is impaired and entitled to vote on the Proponent’s Plan.

11 **3. Class Three – Graham & Dunn**

12 Graham & Dunn P.C. is the sole member of Class 3. It has asserted a Secured Claim in
13 the amount of \$641,503.93. Graham & Dunn asserts that its Claim is secured by essentially all of
14 the Debtor’s assets.

15 Under the Proponent’s Plan, Graham & Dunn’s Claim will be deemed an Allowed Claim
16 on the Effective Date, and it will be paid in full within ten Days of the Effective Date. The
17 Proponent’s Plan also allows Graham & Dunn to retain its security interests pending payment.

18 Class 3 is unimpaired and not entitled to vote on the Proponent’s Plan.

19 **4. Class Four – Other Secured Claims**

20 Class 4 consists of any other creditor holding a Secured Claim, who is not a member of
21 Classes 1 through 3. The Proponent’s Plan will pay each Secured Claim that is deemed an
22 Allowed Claim based on applicable terms or through a separate agreement between the holder of
23 the Allowed Claim and the Proponent within ten Days of the Effective Date.

24 Class 4 is unimpaired and not entitled to vote on the Proponent’s Plan.

1 **5. Class Five – Priority Claims**

2 Class 5 consists of the holders of Priority Claims. Claim numbers 7, 8, and 13 will be
3 deemed Allowed Claims on the Effective Date. The Proponent anticipates that other Priority
4 Claims will be reduced, by negotiation or by motion pursuant to Fed. R. Civ. P. 3007, such that
5 the total amount of Allowed Claims in this class does not exceed \$22,453.78. All Allowed
6 Claims in this class will be paid in full, with interest at the applicable contract rate or rate
7 established by state law, within ten Days of their determination as an Allowed Claim.

8 Class 5 is unimpaired and not entitled to vote on the Proponent's Plan.

9 **6. Class Six – General Unsecured Claims**

10 Class 6 consists of General Unsecured Claims. As of June 29, 2010, the Debtor has filed a
11 motion to allow the Claim Nos. 1-4, 7-11, 13, 14, 17, and certain scheduled Claims. As of June
12 25, 2010, the Debtor has filed claim objections with respect to Claim Nos. 12, 16, 19, 22, 26, and
13 31-34, thereby making them Disputed Claims. After examining the Debtor's objections, the
14 Proponent believes that it will prevail with respect to Claim Nos. 12, 16, 22, 26, 31, 32, and 34.
15 With respect to Claim Nos. 12, 26, and 32, in an abundance of caution, the Proponent assumes the
16 Debtor will pay the amount stated in its schedules. With respect to Claim Nos. 19 and 33, in an
17 abundance of caution, the Proponent assumes the Claim will be paid in full.

18 The Proponent's Plan provides that all other General Unsecured Claims will be deemed
19 Allowed Claims unless the Debtor files an objection to the Claim no more than 30 Days after the
20 Effective Date or the date on which the Claim is filed, whichever is later. Before entry of the
21 Confirmation Order, the Debtor will supplement the Proponent's Plan with a list of Scheduled
22 Claims that will be deemed Allowed Claims on the Effective Date. Each Further, the Proponent
23 will withdraw its Claim on the Effective Date.

24 Allowed Claims in this class will be paid in full, with interest at the applicable contract
25 rate or rate established by state law, within ten Days of their determination as an Allowed Claim.
26

1 The Proponent anticipates that the amount of Disputed Claims will be reduced such that the total
2 amount of Allowed Claims in this class does not exceed \$922,771.38.

3 Class 6 is unimpaired and not entitled to vote on the Proponent's Plan. Class 6 may vote a
4 preference as between the Proponent's Plan and the Debtor's/Hale's Plan.

5 **7. Class Seven – Vincent and Karyn Borcich**

6 Vincent and Karyn Borcich (collectively, "**Borcich**") are the sole members of Class 7.
7 They have asserted a Claim in the amount of \$414,055.00, unsecured, or, alternatively, in the
8 amount of \$760,066.00, with no identified classification (the "**Borcich Claim**"). The Borcich
9 Claim is based on the Borcich Holdings. The Debtor has objected to the Borcich Claim, and it
10 has commenced an adversary proceeding against Borcich alleging certain misconduct by Vincent
11 Borcich (the "**Borcich Litigation**"). Under RateGain's Plan, Borcich will receive treatment as a
12 Preferred Shareholder with respect to the Borcich Claim consistent with 11 U.S.C. § 510.
13 Borcich is the sole Preferred Shareholder.

14 Under RateGain's Plan, the Debtor will dismiss the Borcich Litigation on the Effective
15 Date. If the Borcich Litigation were not dismissed, the Debtor would incur substantial new
16 Administrative Claims in connection with legal expenses. Administrative Claims would be paid
17 ahead of other Allowed Claims and Allowed Interests. 11 U.S.C. § 503(b). Moreover, the
18 Proponent believes there are significant challenges with the case against Borcich. For these
19 reasons, the Proponent believes it is in the best interests of creditors and equity holders to dismiss
20 the Borcich Litigation in favor of a faster and cheaper resolution of this bankruptcy.

21 Also on the Effective Date, the Borcich Holdings will convert into 800,000 shares of
22 common stock in the Debtor, as provided in the Debtor's Amended Articles of Incorporation (the
23 "**Converted Borcich Holdings**"). No more than two Days after the Effective Date, Borcich will
24 receive \$248,000 from the Proponent in exchange for title to the Converted Borcich Holdings.
25 This equates to a share price of \$0.31 per share. The transfers of title to the Converted Borcich
26 Holdings will be subject to the terms and conditions set forth in **Exhibit B** to this Plan.

1 No more than ten Days after payment of all Allowed Claims in Classes 1-6, Borcich will
2 be paid \$400,000 plus accrued dividends accruing at the rate of 2.5 percent per annum from
3 January 1, 2009, or all funds remaining in the Debtor's possession, whichever is less, in cash (the
4 "*Preferred Stock Payment*").

5 Class 7 is impaired and entitled to vote on the Plan. Class 7 may also vote a preference as
6 between the RateGain's Plan and the Debtor's/Hale's Plan.

7 **8. Class Eight - Common Shareholders**

8 Class 8 consists of the Common Shareholders. On the Effective Date, or on the date on
9 which a Disputed Interest is deemed to be an Allowed Interest, whichever is sooner, each
10 Common Shareholder in Class 8 will receive the amount of \$0.50 per share from the Proponent in
11 exchange for title to their common stock. The transfers of title will be subject to the terms and
12 conditions set forth in *Exhibit B* to this Plan.

13 Within 30 calendar days after payment of all Allowed Claims and the Preferred Stock
14 Payment, the then-existing Common Shareholder will receive all remaining funds in the Debtor's
15 possession, if any, less a reasonable amount, not exceeding \$200,000, retained to pay taxes and
16 Administrative Claims accrued during the wind up and dissolution of the Debtor. Any funds
17 remaining in the Debtor's possession at final dissolution will be distributed among the then-
18 existing Common Shareholder in connection with entry of the Final Decree.

19 Class 8 is impaired and entitled to vote on the RateGain's Plan. Class 8 may also vote a
20 preference as between the RateGain's Plan and the Debtor's/Hale's Plan.

21 **9. Unclaimed Payments**

22 Any check issued in payment of an Allowed Claim or Allowed Interest that is not
23 deposited by the payee within 90 calendar days of its issuance will be deemed null and void. All
24 funds represented by any such check will be distributed to the then-existing Common
25 Shareholder. Under these circumstances, the holder of any Allowed Claim or Allowed Interests,
26 and successors thereto, will be discharged and forever barred from asserting the Claim or Interest

1 against the Debtor or Proponent notwithstanding any federal or state escheat laws to the contrary.

2 **V. MEANS OF EFFECTUATING THE COMPETING PLAN**

3 **A. Funding**

4 The Proponent will purchase all common stock in the Debtor from Common Shareholders,
5 subject to the terms and conditions in *Exhibit B*, as detailed in the treatment of Classes 2, 7, and 8
6 above. In addition, the Proponent will purchase all assets of the Debtor identified in the Asset
7 Purchase Agreement on the terms and conditions in the Agreement (the "*Sale*") pursuant to 11
8 U.S.C. §§ 105; 363; 1123(a)(5); 1123(b)(4); and 1142(b). The Sale will close on the terms in the
9 Agreement, including timely payment of the purchase price of \$3,500,000. The Proponent has
10 also agreed to accept deferred revenue obligations pursuant to the Agreement. The Court has the
11 authority to require the Debtor to affect the Sale by entry of the Confirmation Order. 11 U.S.C. §
12 105; 1142(b).

13 **B. Timing**

14 The Plan is designed to make an immediate payment of \$0.50 per share to Common
15 Shareholders in Class 8, and prompt settlement payments to Interest holders in Classes 2 and 7,
16 including a share price of \$0.31 per share. The Plan is further designed to make all other
17 payments and distributions on a reasonably expedited basis. The Debtor or Proponent may dispute
18 certain Claims and reject certain contracts in order to realize the assumptions set forth in this
19 Disclosure Statement, which are for the benefit of the holders of Allowed Claims and Interests.

20 Notwithstanding the foregoing, the Plan is not intended to delay payment and distribution
21 of the Sale proceeds.

22 **C. Unclaimed Payments and Distributions**

23 All unclaimed and un-cashed funds remaining 90 calendar days after the distribution of
24 the Preferred Stock Payment, less certain funds retained to pay taxes and dissolve the Debtor, will
25 be distributed to the then-existing Common Shareholder. If any checks constituting a payment to
26 the holder of an Allowed Claim or a distribution to the holder of an Allowed Interest are returned

1 as undeliverable, the un-cashed check will be deemed null and void. Any funds represented by a
2 null and void check will be distributed to the then-existing Common Shareholder. The holder of
3 any Claim or Interest, or any successor thereto, will be discharged and forever barred
4 notwithstanding any federal or state escheat laws to the contrary.

5 **VI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

6 The Proponent anticipates that the Debtor will reject two leases in this bankruptcy under
7 11 U.S.C. § 365. The lessors have already filed a Claim for the full amount of their respective
8 leases: Claim No. 32 (403 Westpark - \$78,783) and 25 (Burke State Building - \$567,614.51). The
9 Debtor has filed an objection to Claim No. 32, and the Proponent believes it is likely to prevail.
10 In an abundance of caution, the Proponent's analysis assumes the Debtor will pay 403 Westpark
11 the amount stated in the Debtor's schedules (\$9,348.54). The Debtor is currently negotiating a
12 settlement of Claim No.25. The Proponent's assumptions in this Disclosure Statement account
13 for resolution of that Claim based on information supplied by the Debtor.

14 **VII. LIQUIDATION ANALYSIS**

15 Plan confirmation requires the Court to find that holders of Allowed Claims will receive
16 or retain property of a value under the Plan that is not less than the amount they would receive or
17 retain through liquidation under Chapter 7. 11 U.S.C. § 1129(a)(7). This requirement applies to
18 classes of claims or interests in which acceptance of the Plan is not unanimous.

19 A valuation would be the traditional "first step" in a liquidation analysis. Due to the
20 unique posture of this case, the Proponent is unable to provide a valuation of the Debtor's assets.
21 Nevertheless, the Proponent believes that the Plan provides the best recovery for creditors and
22 interest holders in comparison to the Debtor's Plan and to liquidation under Chapter 7.

23 The Plan is a straightforward purchase and sale of substantially all of the Debtor's assets.
24 The Proponent intends to use the acquired assets in its business operations. For this reason, the
25 Proponent is willing to pay a premium purchase price. In contrast, liquidation under Chapter 7
26 would be a distressed sale that is unlikely to generate the same return and is likely to involve

1 more administrative costs than the Plan. Further, the Plan intends to pay all Allowed Claims in
2 full, including post-petition interest at the applicable contract rate or rate established by state law.
3 Because the Proponent has offered a premium purchase price higher than what would be obtained
4 through distressed sales under Chapter 7, the Plan contemplates a full distribution on account of
5 the Preferred Shareholder and a distribution of about \$0.37 per share to Common Shareholders.
6 Accordingly, creditors and interest holders will receive at least the same amount through the Plan
7 that they would receive in liquidation under Chapter 7.

8 **VIII. RISK FACTORS**

9 The Plan is subject to approval by impaired classes of creditors entitled to vote under the
10 Bankruptcy Code. The Plan is also subject to entry of a Confirmation Order by the Court. While
11 the Proponent believes these requirements will be satisfied, it cannot assure that the Plan will be
12 accepted by the requisite number and amount of creditors or confirmed by the Court. If the Plan
13 is not accepted or confirmed, all creditors and interest holders face substantial risks due to the
14 uncertainty and costs associated with a modified Plan or conversion and liquidation under Chapter
15 7. Further, the payments and distributions in the Plan depend on many assumptions, as detailed in
16 this Disclosure Statement. Some or all of these assumptions may not materialize, which could
17 preclude the Plan from yielding the returns and payments described in this Disclosure Statement.
18 Finally, this Plan is subject to certain other Conditions to Effectiveness, set forth in the Plan. The
19 Proponent believes these conditions will be satisfied by or before Confirmation.

20 **IX. FEDERAL INCOME TAX CONSEQUENCES**

21 Except as specifically set forth below, this Disclosure Statement adopts Article 9 of the
22 Debtor's Disclosure Statement, as it may be amended, and incorporates it herein by reference.

23 The Debtor's analysis regarding the merger of a C corporation into a limited liability
24 company does not apply to this Plan because the Plan does not involve merging the Debtor into a
25 new corporate entity.
26

1 **X. CONFIRMATION OF THE COMPETING PLAN**

2 This Disclosure Statement adopts Article 10 of the Debtor's Disclosure Statement, as it
3 may be amended, and incorporates it herein by reference.

4 DATED this 8th day of July, 2010.

5 RATEGAIN IT SOLUTIONS, PVT. LTD.

6
7 By /s/ Bhanu Chopra
8 Bhanu Chopra
9 Chief Executive Officer

10 HILLIS CLARK MARTIN & PETERSON, P.S.

11 By /s/ Amit D. Ranade
12 Amit D. Ranade, WSBA #34878
13 Attorneys for Party in Interest
14 RateGain IT Solutions Pvt. Ltd.

APPENDIX A
RATEGAIN'S AMENDED DISCLOSURE STATEMENT

Class		Pay Amount	Balance
RateGain Asset Purchase			\$ 3,500,000.00
Administrative / Tax		\$ 510,000.00	\$ 2,990,000.00
	Professional Fees	\$ 400,000.00	
	Fees after Effective Date	\$ 100,000.00	
	Taxes	\$ 10,000.00	
Hale Global		\$ 225,000.00	\$ 2,765,000.00
Tumelsons (settlement payment amount)		\$ 650,000.00	\$ 2,115,000.00
G&D		\$ 641,503.93	\$ 1,473,496.07
Secured		\$ 21,218.30	\$ 1,452,277.77
Priorities		\$ 22,453.78	\$ 1,429,823.99
Unsecureds		\$ 922,771.38	\$ 507,052.61
	includes post-petition allowed interest	\$ 100,000.00	
Borcich (Preferred Stock Payment)		\$ 416,656.00	\$ 90,396.61
Common Stockholder		\$ 90,396.61	\$ -